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# The Compliance Connection

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State Corporation Commission - Bureau of Financial Institutions  
Regulatory News for Virginia Mortgage and Consumer Finance Licensees

April 2000

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The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance, industrial loan and non-profit debt counseling agency licensees and other interested parties. We encourage you to read each newsletter and distribute the information to all staff members.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, Virginia 23218-0640 or via e-mail at: [nwalker@scc.state.va.us](mailto:nwalker@scc.state.va.us).

Special thanks to: Commissioner Face, MaryLou Kelly and Bob Mednikov for their help with this issue.

## **Bureau Technology Initiatives:**

For those of you who dread digging out the prehistoric typewriter to complete the Officer's Questionnaire during the examination – GOOD NEWS! The Questionnaire is now available on disk, so it can be completed on your computer. This should help licensees complete the Questionnaire more quickly. Licensees will have the option to use whichever questionnaire works best – a “hard copy” or an electronic one.

We have also recently enhanced our web site to include the names of licensed mortgage companies. The licensees are grouped by license type (MB – mortgage broker, ML – mortgage lender, MLB – mortgage lender/broker) and are listed alphabetically by company name. The list also provides the license number, chief operating officer, and authorized locations. For companies who use trade names, the licensee's d/b/a name is included following its primary name. The information is accurate as of the date listed on the Report and is updated weekly. The list does not include companies who are exempt from the licensing requirement.

If the licensee's full name or license number is not known, the “find” mechanism (look for the binocular icon) of the Adobe reader can be used to find the licensee by entering any known search string of its name, locations, chief executive or license number. Be sure you are at the top of the document before executing the search.

We hope you take advantage of these new technologies and let us know if you have any concerns or suggestions. Our goal is to provide the public and our licensees easy access to information about our licensees so that everyone can be better informed.

## **A Reminder:**

Only one copy of the completed examination report will be sent to a licensee. We notified licensees in the last issue of this newsletter that, after a review of Bureau procedures, it was decided that the courtesy copy of the report previously sent to Consumer Finance corporate headquarters (or compliance departments) would no longer be sent. Now only one copy of the report will be sent; it will go to the consumer finance office examined. Please make a note of this and inform necessary personnel of this change.

## **Changing from Sole Proprietorship to Corporation:**

One of the more frequent questions we get from mortgage licensees is “What are we required to do if we want to change from a sole proprietorship to a corporation?” According to Section 6.1-416 of the Code of Virginia, a license issued pursuant to the Mortgage Lender and Broker Act is not transferable or assignable, by operation of law or otherwise. Thus the proprietorship may not simply hand over its license to the corporation. The corporation is a separate legal entity from the sole proprietorship and the corporation may not legally conduct business pursuant to the Act unless it has first obtained the required license. Application forms are available on our web site or by calling the Bureau’s Corporate Research and Structure Section at (804) 371-9690.

[www.state.va.us/scc](http://www.state.va.us/scc)

**Our website contains a lot of helpful information – check it out and let us know what you think!**



## **2000 Virginia Legislation: Effective July 1, 2000**

This year the Bureau of Financial Institutions requested two bills, one clarifying the unlawful use of the name *bank*, *trust company*, etc. (Code §6.1-112); and one deleting the statutory requirement that the Bureau make and publish annually an analysis and recapitulation of the reports of consumer finance/small loan licensees (Code §6.1-301). The State Corporation Commission put forth twenty legislation proposals in total, mostly recommending technical changes.

The Bureau reviewed and/or commented on numerous bills and resolutions affecting financial institutions; bills included payday lending, non-profit debt counseling agencies, credit union fiduciary accounts, privacy, Uniform Commercial Code, credit cards, small business loans, insurance, etc. Virtually any legislation having any effect on financial institutions was perused by Commission and Bureau staff. The Bureau is always mindful, though, that public policy-making is the province of the General Assembly. Nevertheless, staff is always ready and prepared to offer help and comments when asked.

The 2000 legislative changes, the “stop-gap”, will be available on the Bureau’s portion of the web site by May 17, 2000. If you are unable to obtain the changes from the web site, call our office and we will send you a copy. New law books will be printed this summer and will be mailed to licensees sometime in August or September. The changes which affect non-depository licensees can be found in the following sections:

### **TITLE 6.1 BANKING AND FINANCE**

#### **Chapter 1.3 Consumer Real Estate Settlement Protection Act**

- § 6.1-2.21 Licensing requirements, standards and financial responsibility.
- § 6.1-2.23:1 Falsifying settlement statements prohibited.
- § 6.1-2.27 Penalties and liabilities.

#### **Chapter 2 Banking Act**

Article 11 Offenses

(continued on next page)

**2000 Legislation:** (continued from previous page)

§6.1-112 Unlawful use of terms indicating that business is bank, trust company, etc; penalty.

**Chapter 6 Consumer Finance Act**

Article 2 Compliance with Chapter; Licensee Required; Name

§ 6.1-250 Certain persons ineligible as licensees; exemptions.

Article 4 Place of Business and Residence of Borrower

§ 6.1-267 Other business in same office; fee.

§ 6.1-269.1 Changing place of business.

Article 7 Administration and Supervision by Commission

§ 6.1-301 Annual Reports.

**Chapter 10.1 Nonprofit Debt Counseling Agencies**

§ 6.1-363.1 Operation and licensure.

**TITLE 55 PROPERTY AND CONVEYANCES****Chapter 4 Form and Effect of Deeds and Covenants: Liens**

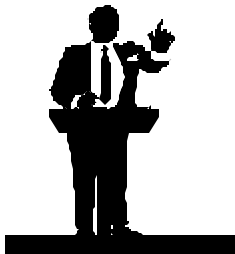
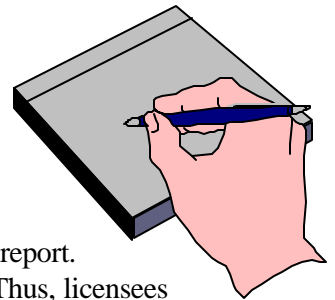
§ 55.58.2 Credit line deed of trust defined; relative priority of credit line deed of trust and other instruments of judgment.

§ 55-58.3 Priority of refinance mortgage over subordinate mortgage.

§ 55-66.3 Release of deed of trust or other lien

**Examination Tips:**

Licensees that have been cited for overcharge violations should keep a copy of the canceled reimbursement checks, in order to prove that the required corrective action was taken. Sometimes a licensee will be requested to send these copies to the Bureau with their response, but other times the Examiners will check that the appropriate documentation is maintained. We suggest canceled checks be maintained with the corresponding examination report. One of the first things Examiners ask for when beginning the exam is to see the last report. Thus, licensees should maintain a copy of the previous examination report for future reference. Providing the required documentation helps ensure a smooth examination process.

**Attention New Mortgage Licensees:**

May 19, 2000 is the date of the next orientation for new mortgage licensees. Companies who were licensed between January 1<sup>st</sup> and March 31<sup>st</sup> should have received information about the session. Orientation begins at 9:30 a.m. at our office and concludes around 4:00 p.m. Licensees who were unable to attend previous sessions should also register. Space is limited, but we will make every attempt to accommodate interested parties. Call Carol Foster at (804) 371-9701 to register!

**License Update:** (see related story — “Technology Initiatives” on Page 1)

The following is a list of companies who have surrendered their license, had their license revoked, application denied or been fined by the Commission **since December 31, 1999**. We hope the list is helpful in keeping track of companies with which you do business. **These lists are accurate as of April 15, 2000**. Call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission.

**MORTGAGE LICENSES SURRENDERED SINCE DECEMBER 31, 1999**

- |  |   |
|--|---|
| MB – 1151 The American Dream Corporation d/b/a<br>Mortgage Funding Services, Inc. – 1/1/00                               | MLB – 146 Woodmont Mortgage Corp. –<br><b>SURRENDERED LENDER AUTHORITY<br/>ONLY – 3/2/00 – NOW MB – 1557</b>                |
| MLB – 333 First Atlantic Mortgage Corporation –<br><b>SURRENDERED LENDER AUTHORITY<br/>ONLY – 1/5/00 – NOW MB – 1526</b> | MB – 846 Security Trust Mortgage Corporation – 3/12/00  |
| ML – 7 AVCO Mortgage and Acceptance, Inc. – 1/6/00   | MB – 343 Homebuyers Equity Corporation – 3/14/00  |
| MB – 580 Cheryl L. Alter t/a Money Market Mortgage –<br>1/10/00  | ML – 356 Capstone Mortgage Corporation d/b/a<br>Lender Direct – 3/16/00   |
| ML – 174 Associates Financial Services Company of<br>Delaware, Inc. – 1/10/00  | MB – 1270 Magellan Home Loans, Ltd. – 3/16/00   |
| MLB – 555 Mountain Pacific Mortgage Company d/b/a<br>LFC Mortgage – 1/10/00  | MB – 1383 Global Mortgage Corporation -- 3/21/00  |
| MB – 1248 A.R.T. Financial Services, Inc. d/b/a Franklin<br>Mortgage – 1/11/00   | MLB – 412 Fidelity First Mortgage, LLC d/b/a Valley Pine<br>Mortgage – 3/21/00  |
| MB – 1032 Central Government Mortgage, Inc. – 1/19/00  | MB – 1153 Bethesda Properties Corporation d/b/a Pilot<br>Mortgage Company – 3/24/00   |
| MB – 1214 Linda Caruso t/a Guardian Mortgage – 1/20/00   | MLB – 456 Parmann Mortgage Associates, L.P. – 3/29/00   |
| MB – 1352 Express Funding, Inc. – 1/27/00  | MB – 1231 Home Mortgage Direct, Inc. – 3/29/00  |
| MLB – 342 Mortgage USA, Inc. – 1/27/00   | ML – 163 Treasure Coast Mortgage Corporation – 3/30/00  |
| MB – 632 Paul Silverstein Associates Co t/a Monumental<br>Mortgage Company – 1/31/00                                     | MB – 1208 Gulfstream Financial Services of Maryland,<br>Incorporated – 3/30/00  |
| MLB – 381 Wilshire Credit Corporation – 2/1/00   | ML – 6 Blazer Mortgage Services, Inc. – 4/1/00  |
| MB – 960 E.M. Willis Corporation – 2/3/00  | MB – 706 Peoples Home Equity Corp. – 4/1/00   |
| MB – 908 The Loan Company – 2/4/00   | MB – 1283 Chesapeake Mortgage Financial Corporation<br>– 4/10/00 – <b>SURRENDERED WITH<br/>PROCEEDING TO REVOKE PENDING</b> |
| MB – 944 Paramount Mortgage Corporation – 2/11/00  | MB – 1167 Atlantic Coast Financial Services, Inc. – 4/13/00   |
| MLB – 39 Mortgage Investment Corporation – 2/14/00   | MB – 956 Castleton Capital Corp. – 4/13/00  |
| MB – 538 Atlantic Mortgage Funding, Inc. – 2/20/00   | ML – 52 DeGeorge Capital Corp. – 4/14/00  |
| ML – 279 Great Eastern Financial Services, Inc. – 2/29/00  | ML – 400 Havenwood Financial, Inc. – 4/14/00  |
| ML – 350 First Pacific Financial, Inc. – 2/28/00   | ML – 183 Altiva Financial Corporation – 4/14/00   |

**MORTGAGE APPLICATIONS DENIED SINCE DECEMBER 31, 1999**

MB – 1433 W. MITCHELL HINES D/B/A HINES FINANCIAL GROUP – 1/14/00

VAGOLA BRYANT WOOTEN -- TO ACQUIRE 25% OR MORE OF THE OWNERSHIP OF PLATINUM MORTGAGE, INC. (MB – 1310) – 2/9/00

MB – 1498 FIRST HOUSEHOLD FINANCE CORPORATION – 3/7/00

MB – 1503 D.J. HARDA CORP. D/B/A CONTINENTAL MORTGAGE CO. – 3/7/00

**DATES TO REMEMBER!**

Consumer Finance and Mortgage licensees should have received their annual assessment bills from the Bureau. Mortgage assessments are due on or before Thursday, May 25, 2000 and consumer finance assessments are due by Thursday, June 1, 2000.

Failure to pay any fee or assessment imposed by the Mortgage Lender and Broker or the Consumer Finance Act may result in suspension or revocation of the license issued by the Commission, pursuant to the Virginia Code §§ 6.1-425 and 6.1-260.

**NOTE:** The \$6.60 per loan fee charged to mortgage licensees as part of their annual assessment **CANNOT** be passed on to the borrower.

**IMPORTANT COMMISSION TELEPHONE NUMBERS**

Consumer Finance and Mortgage Examinations ....(804) 371-9701  
Licensing (applications, name changes, relocations).....(804) 371-9690  
Consumer Complaints.....(804) 371-9705  
Banks and Savings Institutions.....(804) 371-9704  
Corporate Information – Clerk's Office.....(804) 371-9733  
FAX Number for the Bureau of Financial Institutions.....(804) 371-9416

**The Commission will be closed on Monday, May 29, 2000 in observance of Memorial Day and on Tuesday, July 4, 2000 for Independence Day.**



**Bureau of Financial Institutions  
State Corporation Commission  
P.O. Box 640  
Richmond, Virginia 23218-0640**

**IMPORTANT REGULATORY  
INFORMATION ENCLOSED!!!**